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Summary Statement of Greg Patterson

Executive Director, Arizona Competitive Power Alliance

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General Summary

AZ CORP COMMISSION
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The members of the Arizona Competitive Power Alliance support the proposed Settlement. In our view, the proposed Settlement represents an excellent compromise among a diverse group of parties on a large number of complex issues.

Our response to Commissioner Mayes' letter, set forth below, includes a detailed description of the Alliance's initial goals in this proceeding and how the proposed Settlement achieves those goals.

All parties face substantial risk and expense when litigating a case of this complexity. In the Alliance's view, the proposed Settlement resolves our issues in a manner that reasonably achieves our objectives in this proceeding and serves the public interest.

Response to Commissioner Mayes' Letter

The Alliance's central objective in this case is to continue to promote an environment that provides a viable and effective wholesale market into which Alliance members can sell power.

In our original litigation position, we sought to achieve this central objective by opposing the proposed transfer of the PWEC assets to APS. That strategy, if successful, would have provided Alliance members with the opportunity to bid against the PWEC assets in an effort to provide the lowest-cost power to APS for use by its customers. Within the limited framework of the Rate Case, we believed that this was the best means available to us to promote a viable and effective wholesale market. At the same time, we recognized that in order to fully achieve this objective, the Alliance would have to litigate—at a later date and in a more comprehensive venue—the broader associated issues of overall market structure, self-build guidelines and future RFPs. Moreover, the Alliance would have continued to bear the risk that its litigation position in this case might not ultimately be accepted by the Commission. The proposed Settlement, however, provides a means to solve these broader issues and reduce litigation risk in a manner that is acceptable to the Alliance and materially advances our central objective.

Two particular provisions of the proposed Settlement advance our goal of promoting a viable and effective wholesale market, and represent more comprehensive progress toward this goal than we likely could have achieved through litigation.

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First, the proposed conditions governing APS's ability to self-build generation (paragraph 74 of the proposed Settlement), combined with Arizona's high growth rate, provide assurance to the Alliance that independent power will be an even more meaningful and integral component in Arizona's future power infrastructure.

Second, the 1,000 megawatt RFP in 2005 (paragraph 78 of the proposed Settlement) provides a degree of certainty regarding the timing of an initial increment of APS's future needs to be met from the wholesale market. The RFP will identify the specific amount of capacity needed and the timing of APS's purchase, which will allow the individual members of the merchant community to effectively compete to provide the most efficient way to meet that particular future need.